

Multi-Level Marketing

*What it was. What it became. What it is
today.*

by:

J.F. (Jim) Straw

This archive is produced in accordance with: J.F. (Jim) Straw's requirement for republication:

FREE Web Site CONTENT

Content ... Content ... Content ...

Everybody is saying ...

Content is KING!

But ... where do you find good content for your website??

Well, I have over 100 articles & editorials about Making Money you may publish on your website FREE!

The only requirement is you MUST include the following on any of the content you put on your website ... no ifs, ands or buts.

Having spent over 50 years in business; doing business successfully, J.F. (Jim) Straw now shares "Practical Instruction in the Arts & Sciences of Making Money" at the Business Lyceum. --
<http://www.businesslyceum.com>

Be sure to include my copyright and my signature block.

Note the active and clickable hyperlink.

Multi-Level Marketing

What it was. What it became. What it is today.

by:

J.F. (Jim) Straw

To begin with ...

Multi-Level Distribution Is As Old As Business Itself!

If it weren't for the Multi-Level Distribution of products throughout the world and across this nation, you would have to travel to Battle Creek to get a box of breakfast cereal ... to Switzerland to buy a fine wristwatch ... to Detroit to buy a car ... to California or Florida to buy orange juice ... to Mexico to get a Taco ... (you get the picture).

Multi-Level Distribution systems are dependent upon each level buying and reselling the products for their own account. - That, of course, requires capital investments in warehousing and distribution facilities, in addition to the cost of the inventory.

Owing to the (sometimes massive) capital costs involved in establishing the necessary warehousing and distribution facilities inherent in Multi-Level Distribution systems, small manufacturers were often limited to selling their products only within their limited surrounding area.

That lead to the eventual creation of ...

Multi-Level Marketing As It Was!

Long before William Penn Patrick's Holiday Magic Cosmetics (which I sold) ... even though it wasn't called Multi-Level Marketing ... Raleigh Products, Fuller Brushes, Watkins Products, and Avon Cosmetics (all of which I have also sold) were sold through warehousing distributors, area distributors, sub-distributors, dealers and finally retailers (with varying names for each level; of course).

In companies like those mentioned, the money flowed up from the retailer; ultimately to the manufacturer, with each level in-between taking their share off-the-top, filling the order and then replenishing their inventory by buying from the next higher level. Each level was clearly defined by the amount of product actually purchased and inventoried by the person on that level. Throughout the marketing levels, the emphasis was always on selling the product. Each level was structured to provide speedy deliver of the product to the end-user. - Of course, to eliminate the problem of salesmen absconding with the sample cases and samples, most of the companies required that the cases and samples be purchased ... up the same levels of distribution.

If a distributor's sub-distributors didn't sell enough product, the distributor still had to buy enough inventory from the next higher level to keep and maintain their distributor status. - That meant the distributor had to reach into their pocket and buy inventory for future sales. So, each level pushed the lower levels to sell more product.

The first Multi-Level Marketing companies (as we know them today) were a take-off on this method of marketing. - Those companies were designed and intended to take a manufacturer's products directly to the consumer market ... in volume ... rapidly.

But, the emphasis was changed from selling the product to recruiting more and more and more sales people. - Why? - Because it was logical to assume that if 100 sales people, making just one sale each per month, could sell 100 of a product - then - 10,000 sales people, making just one sale each per month, would sell 10,000 of a product. - The more sales people, the more sales.

In order to make recruiting sales people profitable, the originators of the first programs paid a commission for each 'dealer' recruited ... whether that person every sold anything or not. They did, however, require that each 'dealer' buy a minimum amount of product ... or recruit an established number of new 'dealers' ... each month to qualify for commissions from all of the 'dealers' they had recruited, and those recruited by those 'dealers,' and those recruited by those 'dealers,' etc., etc., etc.

Did you notice that I changed from hiring sales people to recruiting

dealers? - That's because dealers don't have to sell anything.

The money to pay those commissions came from the "fees" a person had to pay to become a dealer ... the higher the level you bought into, the higher the "fees" you paid, and the higher your commissions on the "fees" paid by the dealers you recruited ... with on-going commissions coming from the required monthly purchases made by those who stayed in the program (if there were any). - Of course, you didn't have to buy the minimum amount of product inventory if you recruited enough new dealers each month ... from which you earned your commissions instead.

Later, when laws were passed outlawing the payment of commissions based on "dealer fees," the promoters simply reduced the dealer fees to token amounts (or nothing) and began paying the commissions on the sales of sample cases and samples ... which, if you didn't sell any, you didn't earn any commissions.

What Multi-Level Marketing Became!

In the beginning, Multi-Level Marketing was designed and intended to take a manufacturer's products directly to the consumer market ... in volume ... rapidly. - That is still its highest and best purpose, when it is the true and real goal of the marketing company (which is rarely the case anymore). However ...

It didn't take long for the less-than-scrupulous marketers to learn that they could expand a company's sales exponentially, overnight, by simply selling sample cases and samples ... even if none of the product ever got into the hands of the consumer, the company's sales volume was excellent.

That's when all kinds of marketing consultants began promoting establishing Multi-Level Marketing divisions within companies which were desperate for sales. - That, in turn, is ...

How Multi-Level Marketing Programs Began Violating the ...

First Law of Business!

The First Law of Business is ...

Demand Creates Supply!
(Not the other way around.)

To explain. -- If 1,000,000 people want (or need) Purple Widgets, in

accord with the First Law of Business, someone, somewhere, somehow will create Purple Widgets to meet that demand. -- The demand creates the supply.

On the other hand, if you had 1,000,000 Purple Widgets in your warehouse, but no one wanted them, those Purple Widgets would be worthless. -- A supply alone can not create a demand.

Although the First Law of Business states that "Demand Creates Supply," it wasn't long before some of the marketing consultants discovered that they could sell almost anything ... even if it was a product for which there was NO demand (your warehouse filled with Purple Widgets) ... by simply creating a Multi-Level Marketing Program and selling tons and tons of a product no one wanted "in sample cases". - Then, when the dealers (sample-case-buyers) dried-up, the promoters simply moved-on to another company.

Occasionally ... as luck would have it ... an unknown 'demand' would be found and a product would find a true market; after the Multi-Level Marketing Program had died. But, usually, when the Multi-Level Marketing Program died, so did the company. - Some of them walked-away with a bundle of money from the sales of their 'sample-case-products.' -- Most lost all the money they had accumulated from their 'sample-case' sales by trying to reestablish a perceived 'demand' that didn't exist.

Today, the Multi-Level Marketing promoters are in ...

Full Compliance with the First Law of Business!

But, instead of supplying the products and services demanded by the public, they are ...

Supplying Multi-Level Marketing Programs to Multi-Level Marketers!

That's right, you don't even need a real product or service today. All you have to have is a Multi-Level Marketing Program.

Being an ol'professional Mailorder Marketer, I have had the pleasure of personally knowing some of the real, honest promoters and marketers who employ Multi-Level Marketing methods to sell their products and services.

On the other hand, I have also been thrown into close personal contact with those Multi-Level Marketing promoters who are less than scrupulous ... meaning they have no qualms about taking people's money under false pretenses (which, unfortunately, is the vast majority of the MLM promoters

of today).

Note: In the Multi-Level Marketing industry of today, people who buy into the programs are always referred to as "mooches." Thus, those of us who have "been there, done that, bought the T-shirt" very often refer to M-L-M as "Mooches Losing Money."

Anywho, as one of those Multi-Level Marketing promoter once told me, he just keeps creating and selling "hot-air sandwiches." - Once the 'dealers' figure out it's a "hot-air sandwich," he just wraps his "hot-air sandwiches" in a new Multi-Level Marketing program ... with a new name, from a new location ... and sells them to the same "mooches" all over again. (His words, not mine.)

But -- that's not the reason ...

Why over 90% of the people who get involved in Multi-Level Marketing programs fail miserably!

Although I have made a bundle of money selling multi-level products ... believe it or don't ... I have never been involved in Multi-Level Marketing.

Back when I was a very young man, my Daddy told me ...

Never Ask Anyone To Do Anything For You That You Could Not Or Would Not Do For Yourself!

Of course, when my Daddy told me that I thought (at first) it was about the dumbest thing I had ever heard. As a matter of fact, my initial response was a little flippant ... "What about having a baby?"

His answer opened my eyes and my mind ...

"Son, I didn't say you had to be able to do everything you ask people to do for you. I said not to ask anyone to do anything that you either could not or would not do for yourself. If you ask a young lady to have a baby for you, it should be when you would be willing to have a baby for her, if you could. If you aren't ready and willing to take the responsibility for (have) the baby yourself, don't ask her to do it for you."

Living that sage advice, throughout my over 40 years (man and boy) career as an entrepreneur, whenever I came across a product I wanted to sell ... even a multi-level product ... I sold it myself. - I never put any effort into "recruiting" dealers ... I just sold the products. Then, if one of my customers did become a dealer, I earned the resulting "downline"

commissions from their sales.

But ...

You Can't Even Do That Today!

Back when I made real money selling Multi-Level products, the "sales person" who sold the product (me) earned the lions-share of the commissions ... usually 33% to 50% of the "retail" price. And, even though the products were sold through a Multi-Level Marketing plan, the products were "legitimately priced" for the consumer market.

Today, the "commission" paid to the person who makes a real sale of the product is so low ... commonly 10% to 15% ... the advertising cost alone would devour every penny you earned in direct sales commissions. And ...

In order to pay 10% to 15% commissions on 3 to 5 levels, the "retail prices" of the products are so over-inflated, the only person you could hope to sell the product to would be someone who wanted to "buy a dealership" ... not the product.

As a matter of fact ...

You Can't Even "Buy" Multi-Level Products Anymore!

"What?" you say ... "That's right," I say.

Every month, I receive hundreds upon hundreds of Multi-Level Marketing offers. - Last week, I received 37 in the mail; 53 by FAX; and over 100 by e-mail ... Guess What?

Not one of the offers I received even tried to sell me their product. - In every case, in order to "buy" the product, I had to "sign-up" to be a dealer. - Most of the offers didn't even tell me what the product was ... just a "get-rich-quick" come-on alluding to the product by its brand-name or generic description. The only thing they were selling was the right to sell somebody else the right to sell somebody else the right to sell the right to sell the right ... ad nauseam.

Even those companies that did have a seemingly real product didn't offer to sell that product to me. They only offered me the "opportunity" to sign-up as a dealer.

Now ... since I know for a fact that a 'few' of you are involved in "MLM" ... let me explain the facts of business life to you.

YES! There are MLM companies that do (or at least 'pretend' to) attempt to sell their products - but - their "dealers" don't. The "good intentions" of the company are shot to hell by the "dealers" who only see the downline commissions. The "dealers" couldn't care less whether or not they sell any products ... as long as they recruit and enroll more dealers. - After all, that's the name of the MLM game. - And, when there are no more dealers to be found for their current offering, they move on to the next "hot-air sandwich" ... even if it has a seemingly real product to sell.

So, here's ...

THE REAL REASON

Why over 90% of the people who get involved in Multi-Level Marketing programs fail miserably!

As I told you earlier, in order to satisfy the First Law of Business, instead of supplying the products and services demanded by the public, the MLM companies are only ...

Supplying Multi-Level Marketing Programs to Multi-Level Marketers!

But ... the number of people involved in Multi-Level Marketing is a limited universe. It can only survive by finding "new mooches" to buy "hot-air sandwiches." Because, after a "mooch" has bought into a number of "hot-air sandwiches," he or she quits and a "newer mooch" has to be found. Because, sooner or later, they will learn, for a fact ...

There Ain't No Free Lunch!

Because the MLM companies are selling the Free Lunch Dream, every month I get at least a dozen letters proclaiming: "With your loyal customer base you could make yourself a fortune by marketing my program." - After all, they "know" that, if they can get me to sell the program for them, they will "get filthy rich" from my efforts (not their own) ... just like the big-boys in MLM told them they would.

But, let me tell you about the big-boys ... heavy hitters ... in MLM who, without hesitation, show you their big checks as 'proof' that YOU can make big money in their MLM program.

Let's pretend that a "heavy hitter" shows you his check for \$10,000 from the MLM company he is promoting. -- What he doesn't tell you is that he has 1,000 people in his "downline" ... each generating a \$10 commission for him - but - those 1,000 people are only making \$10 each (usually spending \$50 to do so).

But, you say, "My 'sponsor' is gonna put people in my downline."

Okay, here's how that works. -- In those programs, they use an inverted pay scale ... you earn very small commissions on your own sales and the commissions get higher and higher the deeper the downline goes (sometimes to 9 levels). -- It is designed to make your mouth-water when you see how much you can make on the 5th (or 6th) level if you only get one (just one) dealer on your first line.

On the other hand, the "heavy hitter" doesn't want to put people on his top line ... he wants to give them to you so they appear on his 3rd, 4th, 5th, or even 6th lines; where the commissions are the highest. -- You get the itty-bitty commissions while the "heavy hitter" gets the big commissions from the deeper levels he "gives" to you.

The odds of you ever getting people down to your 4th, 5th or 6th levels are slim and none because, nobody will stay with the program long enough for you to benefit from the higher commissions; while your heavy-hitter sponsor is already collecting at those levels because he gave you his first line sale.

Right now, you're probably thinking "Boy howdy! Ol'Jim sure hates MLM."

Wrong, hot-air sandwich breath. - Ol'Jim hates what MLM has become. - A real Multi-Level Marketing company, employing real sales people, with the real intent and purpose of taking a manufacturer's products directly to the consumer market ... in volume ... rapidly ... is still a viable and effective method of marketing. -- There just aren't very many real Multi-Level Marketing companies, today.

But ... if you have the stomach for it ...

You Can Get Rich In Multi-Level Marketing!

If you have no qualms about taking people's money under false pretenses ... can stomach telling people that they will make outrageous amounts of money (knowing full well they won't) ... without working ... by getting other people to do the work for them - or - "We do the work for you!" ... without selling anything ... just by "recruiting" others ... all you have to do is develop your own personal customer base of Multi-Level Marketers ... like the heavy-hitter have.

Then, keep your customer base supplied with more and More and MORE Multi-Level Marketing Programs ... the only "product" your

customers are really buying.

But ... keep in mind ...

Hype Only Produces Hype Customers!

Where over 80% of my customers stay with me year after year, you will have to accept the fact that, in the case of "hype customers," you will lose 80% of your customer base each year and have to replace those people with new "hype customers" ("mooches" in the vernacular of the industry).

That's the way the "heavy-hitters" in MLM have done it and are doing it even today. - You can do it, too - but - do it with the knowledge of what you are doing ... don't start believing the "hype" yourself.

As for me, I like to sleep well at night, secure in the knowledge that the products I have sold today will, without equivocation, assist my customers in their search for prosperity. -- I can't honestly do that with the Multi-Level Marketing programs on the market today.

"Count no day lost in which you waited your turn, took only your share, and sought advantage over no one." - Robert Brault

- For the Record -

My first experience with MLM was wa-a-a-ay back ... with William Penn Patrick's Holiday Magic. At the time, I was selling "Avon" (I was a ding-dong Avon "lady" out in the farm lands of Kansas) at the time.

Holiday Magic was as good as Avon but their commissions were better, so I picked up the line. Then, I started getting extra commission checks when some of my satisfied customers bought into the opportunity.

Some years later, I signed up for the "Koscot Interplanetary Cosmetics" Mink Oil line (Glenn Turner). -- At the time, I owned a chain of Women's Wig Shops across the Southeast and simply wanted to sell the cosmetics in my shops. -- The first month, the girls who managed my wig shops turned in over \$25,000 worth of orders from the counter displays I had installed in each of the shops. BUT ... I couldn't buy any of the cosmetics from Koscot. All of the cosmetics were being used up

to make sales kits so there were none left over to "retail."

In 1978 (or was it 1979), I sold "subscriptions" to the first business opps newsletter sold by MLM. -- I just sold subscriptions to a good newsletter ... the customers signed up for the opportunity ... I was making over \$20,000 per month; even after the newsletter quit publishing (which put the company out of business for accepting payment for something they weren't delivering).

The article I wrote was after being approached by literally DOZENS of promoters wanting me to help them create MLM plans for their products. -- That's when I learned what the industry was becoming. -- None of them really wanted to sell their products. All they wanted was to "do a MLM" to make some big bucks. -- Unfortunately, that experience threw me into personal contact with some of the big name MLM con-men and left a very bad taste in my marketing mouth.

I feel the new generation of "opportunity seekers" need to know what they will be dealing with in the vast majority of MLM deals.

Bio:

Having spent over 50 years in business; doing business successfully, J.F. (Jim) Straw now shares "Practical Instruction in the Arts & Sciences of Making Money" at the Business Lyceum. -- <http://www.businesslyceum.com>

Article: Copyright - J.F. (Jim) Straw. All rights reserved.